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Kenneth Oswald Elvik

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Kenneth O. Elvik, Editor
IOWA STATE UNIVERSITY

BOOK REVIEWS

Raymond de Roover, *Business, Banking, and Economic Thought in Late Medieval and Early Modern Europe*, Selected Studies of Raymond de Roover. Edited by Julius Kirshner with an introduction by Richard A. Goldthwaite. (Chicago: The University of Chicago Press, 1974, pp. viii, 383, paper \$4.95).

Reviewed by Edwin Bartenstein
California State University, Northridge

There are many who agree that Professor de Roover was one of the finest historians of business in the late Middle Ages and the Renaissance. His sources were usually pure, direct from the originals; and when he used a secondary source he documented thoroughly and often with an evaluation. He was the ultimate researcher. His writing is clear and interesting, full of commentary and explanation that takes the reader back to the problems of the thirteenth to fifteenth century businessman. As a reader you experience the development of manipulative techniques of foreign language, which were designed to circumvent the existing usury laws which held all interest to be illegal. You are introduced to the people involved and their philosophies. A sample includes Saint Thomas Aquinas, the Alberti family of merchants, the Medici Banking family, and many popes, scholars, entrepreneurs, business failures, economists and piece work laborers.

The book begins with lengthy introductions to de Roover's work by Goldthwaite and Kirshner. Professor Goldthwaite discusses de Roover's development as a businessman, scholar and writer. He traces the history of his research pointing out the major works.

Kirshner's introductory article concentrates more on de Roover's analyses and attitudes toward the economic teachings and doctrines of the Scholastics, that group of churchmen who articulated so many of the ideas that eventually developed into modern economic theory.

Ten of the eleven articles by de Roover are reprints of selections to fit the theme of the book. The other article, previously unpublished, is "Gerard de Malynes as an Economic Writer: From Scholasticism to Mercantilism." The dates of publication of the articles range 1941 through 1965. The contents of the book are divided into

four sections: Introduction, Business History and History of Accounting, History of Banking and Foreign Exchange, and History of Economic Thought.

The two articles on business history are clever reconstructions of the activities of and scenarios surrounding two Florentine firms, taken from their account books of the fourteenth and fifteenth centuries. "The Development of Accounting Prior to Luca Pacioli" is a classic that investigates the development of double entry bookkeeping prior to the fourteenth century.

The four articles on banking and exchange are interesting as detailed histories taken from original business records. They show how money lending, interest, exchange rates between different national currencies, the time value of money, religion and banking were intertwined and eventually led to the development of banking and foreign exchange as we know them today.

The last four articles discuss monopoly theory prior to Adam Smith, Scholastic Economics, and the writings of de Malynes. These articles seem at times to be an almost nostalgic defense of the logic of the Schoolmen. De Roover explains the development of economic thought as well as the historical presentation of it.

The last paragraph of "A Florentine Firm of Cloth Manufacturers" is a nice summing up of some of de Roover's thinking: "The Medici account books show that in the sixteenth century business enterprise rested on the same basic principles as today. Technical and other conditions determined the form of organization which secured optimum efficiency at the lowest cost. The importance of management was already great and success depended largely upon the ability of the managing partner." (p. 112)

There are also included a bibliography and index. The bibliography lists chronologically from 1928 to 1976 no less than 175 publications of Raymond de Roover, written in several languages. For anyone not yet familiar with his work, and who has an interest in business and economic history, this book provides an effective sample.

O. ten Have (translated by A. van Seventer), *The History of Accountancy* (Palo Alto: Bay Books, 1976, 113 pp., \$12.75).

**Reviewed by Kathryn C. Buckner
Georgia State University**

Basil Yamey's foreword sets the background framework to this extension of ten Have's earlier *Survey of the History of Accountancy*

(1933). Yamey lauds ten Have's ability to recognize originality and high merit in previously obscure publications — reading the text confirms this assessment. The book is replete with quotations, documentation and enlightening footnotes.

The introduction, an overview, contains a general interpretation of (1) the past and (2) the development of accounting. The origin of "double entry" and the overestimation of its importance are stressed.

In interpreting the development of bookkeeping, the relationship to economic history is emphasized. Bookkeeping in its various forms, at various times, is a reflection of business organization(s). The needs of business in each economic age created the structure of the bookkeeping system.

In the late 19th century, the first period of research in accounting history, writing was oriented to bookkeeping technique; the analyses did not extend to explanation. Discussion of causal relationships between economic and bookkeeping histories did not appear in Dutch literature until 1927 in de Waal's *From Pacioli to Stevin*.

Ten Have asserts that the accounting history literature is filled with examples of the urge to "force upon" the merchants of past centuries the ideas of our modern times.

The question of where double entry originated has not been resolved to ten Have's satisfaction. Egyptians, Romans, Arabs, and Banians of India have all been credited.

Concerning sources of history, he notes that there never was any era in which merely one form of bookkeeping existed. There are too many diversities in the extent and types of economic activity.

The Ancient World, subject to conflicting views based upon fragmentary information, is treated in a short chapter. Ten Have concludes that the Roman system was the best developed of the era, yet it was extremely primitive. Consistent with his basic approach, he concludes that public administration and real estate management activity of Egypt and Rome provided no stimulus to development. The *need* was not there.

Chapter III contains an exposition of the development of accountancy in Italy up to Pacioli. It is clear to ten Have that the early balance sheets and profit and loss statements were not "tools of management" but accounts of stewardship. The development of accountancy to 1500 outside Italy is described in Chapter IV. It covers the development of factor bookkeeping in South and North Germany where it was preferred over double entry. Some authors conclude that this inferior bookkeeping was the cause of the slow commercial development in North Germany. Ten Have's comment:

"Whether or not people have reversed the relationship of cause and effect is a big question, and difficult to answer."

The transition from European trade to world commerce constitutes the background for post 1500 development of bookkeeping in Chapter V. A comprehensive discussion of French, Flemish, English, and Northern Dutch authors on accountancy from the 16th to the 19th century is found in Chapter VI. The development of accountancy in the 19th and in the first half of the 20th century, as influenced by the industrial revolution and its attendant requirement of capital for investment, is covered in the final chapter.

The accounting historian will find this book a worthy addition to the library shelf as a notable reference. Dr. ten Have's emphasis upon environmental influences and the needs of business as prime factors in the use and development of accounting method is convincing. His admonition of caution in the interpretation of earlier date should be observed and remembered.

John Michael Cudd, *The Chicopee Manufacturing Company 1823-1915* (Wilmington, Delaware: Scholarly Resources, Inc., 1974, pp. xix, 325, \$8.95).

**Reviewed by Richard V. Calvasina
Clemson University**

This book is a case study of a textile manufacturing firm from its inception in 1823 to its absorption by the Johnson and Johnson Company in 1915. The purpose of the study is to show that company growth and prosperity was a consequence of managerial skills. The author has gathered together an enormous amount of financial data about the company, the textile industry, and the United States economy in order to prove his main conclusion. In addition, Cudd also describes the changing makeup of the work force throughout this period, as well as the increasing militancy of it.

To present this data, the book is divided into three main sections. In the first, the pre-civil war era from 1823 to 1860, the main focus is on the leading figures in the firm, their backgrounds and their efforts in forming the company and helping it to survive, and the organization of the firm. Data concerning the Chicopee Company's purchases, production, sales and profits were not available for this time period, but industry and national economic data were presented.

Section two centers on the years 1860 to 1885, and unlike the prior period much more data about the operations of the business

are presented in addition to that of the industry and the nation. Sales, production, price, profits, and purchase data for Chicopee are analyzed in light of industry wide data and general economic conditions. Part three, covering the years from 1880 to 1915, is similar to section two.

Although the amount of data presented is voluminous and much of it describes the conditions within which the company management operated, the study would have been greatly enhanced by a discussion on the information system, reports, and accounting policies and procedures that were in force and used by management throughout the period studied. On occasion, the author does mention some of the accounting policies and procedures, or lack of them, that were used in the preparation of profit figures and production costs. For example, on page 83 he states that irregular depreciation policies and inventory valuation methods were used by various companies during this period. Because of these different depreciation and inventory valuation techniques, the comparison of the Chicopee Company production and profit data to the industry or other companies must be suspect. In addition, the times series data showing the trends in profits and production costs must also be questioned for the same reason.

If the book had been written from an accountant's viewpoint, the major hypothesis — good management was the main reason for the growth and success of the company — would have been more easily proved. As it stands now, there are only brief glimpses at the internal reporting system and accounting policies of the firm; and these tend to undermine rather than support the conclusions stated in the text. The information, accounting and otherwise, used in the decision making process is hardly mentioned. And as a result, a direct evaluation of sound decision making by management is not made. In addition, Cudd gives the impression that he considers owner equity to be an asset. He refers to retained earnings as a proportion of company assets.

Overall, the book appears to be of value, if only because of the great deal of economic data collected and presented concerning the Chicopee Manufacturing Company and the textile industry during this period. As far as a basis for showing which managerial skills and efforts result in prosperity, it does not do this directly. Rather than show the management process, and the reports and information used in decision making and the reasons for each, Cudd tries to indirectly substantiate his conclusion. He concludes that the Company prospered because of the efforts of management; how-

ever, he never removes the doubt that quite possibly the firm prospered in spite of its managers.

Benedetto Cotrugli; *Della mercatura e del mercante perfetto (On Commerce and on the Perfect Merchant)*, Venice, 1573, Reprint by the Association of Accounting and Financial Workers of Zagreb. 1975. 106 pp.

**Reviewed by Ivan Turk
University of Ljubljana**

Reprinted in the original old Italian version to honor the memory of the first medieval writer on the subject who lived in Dubrovnik, Cotrugli (Kotruljic), was a member of a respected family belonging to the merchant guild. He studied in Italy traveling for business through the Mediterranean countries. When he wrote this work he was employed by Ferdinand, King of Naples. The writing was completed in approximately 1458, however only a few printshops existed in Europe. Hence, handwritten copies of it circulated at that time, and 115 years later, in 1573, it was printed for the first time. Because of its importance, a French translation appeared in 1582 (Lyon) (*Traicte de la marchandise et du parfaict marchand*) and a second Italian edition was printed in 1602 (Brescia).

The book consists of four parts. Part I has 19 chapters which deal with the origin and the definition of commerce, the properties of the merchant, trade by barter, sales for cash and on credit, how to collect accounts receivable and to pay debts, general rules and order of doing business, bills of exchange, pawnage, keeping business records, insurance, goldsmiths, notion merchants, manufacturers and other tradesmen, what the merchant may not do, his duty to close the books every seven years and to strike a balance.

Part II contains 4 chapters on the relation of the merchant with religion; what religion permits and does not permit.

In Part III there are 18 chapters. Herein the author discusses the merchant's reputation, his prudence, knowledge, confidence, fortune, honor, endeavor, resourcefulness and cleverness, his honesty, self-control, dignity, generosity, judiciousness, modesty, laudable behavior and moderation.

In the 10 chapters of Part IV, Kotruljic's views on the merchant's home and family are expounded.

Kotruljic obviously wished to share his business knowledge with Dubrovnik's medieval merchants. He presents his material in an

abstract and theoretical way referring to a broad domain other than commercial activity.

The author describes bookkeeping as a significant device for successful business operations. His comments on business finance and especially on bookkeeping are of special interest. In addition to its being important for the individual, accounts are the basis of security in business in general. Hence, business records have to be kept conscientiously. From his way of describing the keeping of business records, one concludes that he means double entry bookkeeping. Hence, Kotruljic is the first known writer to call our attention to double entry in a business text, while Luca Pacioli is the first to describe it theoretically in some detail in his book on applied mathematics which appeared in 1494. Neither the former nor the latter may be considered as initiators of double entry however, for research has shown that in Geneva, and elsewhere double entry bookkeeping was used as early as the 14th century. Thus the origins of double entry remain in darkness.

Harvey Mann, *The Evolution of Accounting in Canada* (Montreal; Chag Company, 1976, pp. vii, 201, \$6.95).

Reviewed by George J. Murphy
University of Saskatchewan

This 1976 publication of the author's 1972 Ph.D. thesis is a very interesting attempt "to ascertain which forces and which pressures resulted in changes in practices over time" in Canada. To that end, and amongst other data used, various incorporating statutes and a series of Annual Reports of six Canadian companies — some going back over 100 years — are examined. Chapter headings identify the areas of attention: The companies, The Law — Tax, Companies, Bank and Railway Acts, The Form and Format of Financial Statements, Depreciation, and The Auditor's Report. There is also some very useful material on the evolution of the various professional bodies in particular that relating to the formation of the earliest accounting association in North America, the Association of Accountants in Montreal, 1879.

This is a very interesting, eminently readable, book — the main conclusion of which seems to be that "virtually no major changes have been initiated by the accounting profession; that all substantial changes have been due to exogenous factors" (p. 142). To provide additional support for the external factors it would have been useful

for the author to have examined what many view as the prime mover of change, the instances of corporate scandals that either generated or smoothed the path for legislation — the bank insolvencies in the early 1900's, the English RMSP case that so influenced the 1933-34 Canadian legislation and the Atlantic Acceptance scandal of the mid '60's. Of equal importance is the need to trace through and explain the rich interrelationships of the English, Canadian and Ontario legislation relating to financial statements — the importance of the well-known "Model Articles" of the English Act of 1856, the fact that the disclosure provisions of the 1907 Ontario Act were far in advance of the Canadian federal, the English and the American legislation of the time, and the fact that the Ontario Act was the virtual word-for-word model for the Canadian federal Act of 1917. The same parent-child relationship holds true as between the 1953 Ontario Act and the 1964-65 Canada Corporations Act.

Similarly, it is simply unfair to state that the profession has not initiated substantial change. T. Mulvey, the Under Secretary of State (Canadian) and the former Assistant Provincial Secretary of Ontario asserts that the disclosure provisions of the 1917 Act were "first suggested by the Board of the Institute of Chartered Accountants of Ontario in the drafting of the Ontario Companies Act of 1907 and were taken with a few verbal alterations from the Act." (See T. Mulvey, *Dominion Company Law*, 1920, p. 54.) And again, the Canadian Institute's 1946 Bulletin #1, for which the Ontario Institute did the initial work, together with the recommendations of an Ontario Institute Committee under George Keeping became the basis for the 1953 Ontario Act — such that Grant Glassco was able to assert that the provisions of the Act were virtually written by the accountants. Unfortunately from this book, one is unaware that in the first two decades of the century the endeavours of the Ontario and Canadian Institutes and the legislation they prompted led the Atlantic English-speaking world.

The author cites references to the Institute journal (commenced in 1911) only four times in the whole book and it may be due to the lack of greater reference to this source that the formative influences of both the federal and Ontario Institutes were not noted. Similarly, the sample of six companies could have easily been enlarged by reference to an anthology of Canadian corporate financial statements published annually for forty years since 1902 by Houston's Standard Publications and to *Financial Reporting in Canada*, a bi-annual Institute analysis of current Annual Report practices available since the mid 1950's. The literature on the evolution of ac-

counting in Canada is not as spare as the author suggests; nor the available documentary evidence as narrow as the author has used. The Canadian story is more rich, varied and important than herein portrayed.

Richard P. Brief, editor, *The Late Nineteenth Century Debate over Depreciation, Capital, and Income* (New York: Arno Press, 1976, 150 pp., \$15.00).

**Reviewed by Michael Chatfield
California State University, Hayward**

The Accountant, founded in 1874, offers us the best surviving picture of late nineteenth century accounting. Today's accounting methods and thought cannot be understood without reference to the developments of this period, which very largely comprise the tradition on which modern capital-income accounting is based.

No one is better qualified than Richard Brief to make a selection of articles from this source. Others have surveyed *The Accountant*; Dr. Brief has studied it systematically. This readings book is a well chosen sampler of the source materials from which most of his earlier writings were drawn.

The present collection is introduced by Brief's 1970 article, "Depreciation Theory in Historical Perspective." It includes three trial transcripts from the *Law Journal Reports*: *Dent v. The London Tramways Company* (1880); *Lee v. Neuchatel Asphalte Company* (1889); and *Verner v. The General and Commercial Investment Trust* (1894). The remaining fifteen articles, on depreciation, income, capital accounting, dividends, and asset valuation, appeared in *The Accountant* between 1876 and 1894.

The interest for us of these articles is not only that they influenced accounting thought during one of its most formative periods, but that they take a very different approach than our own to certain perennial accounting issues. Ernest Cooper, Edwin Guthrie, O. G. Ladelle, and the other authors in this collection were practitioners, not academics. Few of them wrote primarily for publication. Most of these articles were first read as papers at accounting society meetings, and only later printed. They were essentially discussions of questions encountered by chartered accountants in daily practice. Court decisions and the companies acts provided legal referents for some of these issues. But the main burden of justifying arguments was borne by the speakers themselves in verbal confrontations with their peers. The matters considered were practical:

What is depreciation? How is it related to wear and tear of assets? How should it be calculated? What are the components of income? How should corporate assets be valued? What effect have depletion and depreciation on the amount of profits available for dividend payments? Answers to these and other questions were hammered out in sometimes violent debates nearly a hundred years ago. The men who first confronted these issues in their modern context permanently affected the viewpoint of later generations of accountants. They deserve to be called our earliest contemporaries.